ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

DALE MATHESON
CARR-HILTON LABONTE
CHARTERED ACCOUNTANTS

Partnership of: Robert J Burkart, Inc. James F Carr-Hilton, Ltd. Alvin F Dale, Ltd. Peter J Donaldson, Inc. R.J. LaBonte, Ltd. Robert J Matheson, Inc. Fraser G Ross, Ltd.

AUDITORS' REPORT

To the Shareholders of ATI Airtest Technologies Inc.

We have audited the consolidated balance sheets of ATI Airtest Technologies Inc. as at December 31, 2003 and 2002 and the consolidated statements of deficits, operations, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a working capital deficiency, and has incurred significant losses since inception raising substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The prior year financial statements were audited by another firm of Chartered Accountants who expressed their unqualified opinion dated May 30, 2003.

"Dale Matheson Carr-Hilton LaBonte"

CHARTERED ACCOUNTANTS

Vancouver, B.C.
July 20, 2004

A MEMBER OF MGI INTERNATIONAL, A WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTANTS AND BUSINESS ADVISORS
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ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2003	December 31, 2002
ASSETS		
CURRENT ASSETS		
Accounts receivable	$ 239,916	$ 206,658
Inventory (note 4)	145,064	194,913
Prepaid expenses	8,266	12,684
	393,246	414,255
Furniture and equipment (note 5)	93,832	137,867
	$ 487,078	$ 552,122
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Bank Indebtedness	$ 1,003,492	$1,010,270
BFI loan (note 6(b))	149,361	-
Accounts payable and accrued liabilities	1,172,268	609,400
Shareholder loans (note 11)	500,000	500,000
Advances from related parties (note 11)	249,942	171,778
Current portion of capital lease obligations (note 12)	35,929	35,929
	3,110,992	2,327,377
Capital lease obligations (note 12)	36,544	72,473
Shareholders' deficiency		
Share capital (note 7)	4,186,807	4,145,145
Contributed surplus (note 7(g))	550,682	550,682
Deficit	(7,397,947)	(6,543,555)
	(2,660,458)	(1,847,728)
	$ 487,078	$ 552,122

Future operations (note 2)
Commitments and contingencies (note 12)
Subsequent events (note 15)

The accompanying notes are an integral part of these consolidated financial statements

APPROVED ON BEHALF OF THE BOARD

signed: "George Graham" **Director**

signed: " Ken Danderfer " **Director**

ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	Year Ended December 31, 2003	Year Ended December 31, 2002
INCOME STATEMENTS		
REVENUES (note 14)		
Product sales	$ 855,722	$ 718,198
Services	219,925	218,814
	1,075,647	937,012
COST OF GOODS SOLD:		
Product sales	488,385	393,645
Services	159,313	200,323
	647,698	593,968
GROSS PROFIT	427,949	343,044
EXPENSES		
Amortization	44,035	50,273
Automotive	8,867	7,905
Bad debts	2,763	11,581
Bank charges and interest	123,642	103,594
Freight	13,261	12,770
Insurance	42,880	27,002
Maintenance	731	628
Office and general	48,975	35,470
Professional and management fees	50,568	61,788
Investor relations	42,000	40,694
Rent and property tax	46,401	35,393
Research and development (note 8)	120,866	83,501
Salaries and benefits	270,175	265,096
Sales, marketing and promotion	396,508	350,160
Shop supplies	3,493	2,357
Telephone	11,220	12,363
Write-down of inventory	55,956	65,000
	1,282,341	1,165,575
LOSS FOR THE YEAR	(854,392)	(822,531)
Deficit, beginning of year	(6,543,555)	(5,721,024)
Deficit, end of year	$ (7,397,947)	$ (6,543,555)
Basic and diluted loss per share (note 7(f))	$ (0.07)	$ (0.08)
Weighted average number of common shares outstanding	11,341,859	9,761,585

The accompanying notes are an integral part of these consolidated financial statements

ATI AIRTEST TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2003	Year-Ended December 31, 2002
CASH PROVIDED BY (USED IN):		
Operations:		
Loss for the year	$ (854,392)	$ (822,531)
Items not involving cash:		
Amortization	44,035	50,273
Write-down of inventory	55,956	65,000
Foreign exchange loss	-	18,450
Changes in non-cash working capital items:		
Accounts receivable	(33,258)	31,128
Inventory	(6,107)	(40,176)
Prepaid expenses	4,418	(2,233)
Accounts payable and accrued liabilities	562,867	297,098
	(226,481)	(402,991)
Investments:		
Purchase of furniture and equipment	-	(9,033)
Financing:		
BFI Loan	149,361	-
Shareholder loans	-	148,558
Payment of long-term debt	-	(21,000)
Advances from related parties	78,164	171,778
Share capital issuance (note 7(h))	41,663	170,256
Capital lease obligation payments	(35,929)	(35,929)
	233,259	424,630
Increase in cash and cash equivalents	6,778	21,639
Cash and cash equivalents, beginning of year	(1,010,270)	(1,031,909)
Cash deficiency and cash equivalents, end of year	$ (1,003,492)	$ (1,010,270)

Supplementary information (note 9)

The accompanying notes are an integral part of these consolidated financial statements

1. Business activities:

ATI Airtest Technologies Inc. (the "Company") is listed on the TSX Venture Exchange. As of June 3, 2004, a cease trade order was issued by the British Columbia Securities Commission pending filing of the company's December 31, 2003 annual financial statements and April 30, 2004 quarterly financial statements.

The Company was incorporated under the Company Act of British Columbia on March 13, 1996. Its primary business activity is the manufacture and sale of air testing equipment and related services in Canada and the United States.

2. Future operations:

These financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business, and do not include adjustments relating to either the realization of assets or the settlement of liabilities that might be required should the Company be unable to continue as a going concern. The Company has experienced significant losses since its inception and has a working capital deficiency at December 31, 2003 of $2,717,746 (December 2002 - $1,913,122). In addition, the Company has effectively used its available lines of credit (notes 6 and 11). The Company has financed its operations through equity, shareholder loans and through an asset-based loan with BFI Business Finance in San Jose, CA. Future operations are dependent upon the Company's ability to obtain additional financing, continued support of existing creditors and lendors, continuing financial support from related parties, and attaining profitable operations. The ultimate realization of amounts shown as inventory is dependent upon market acceptance of the Company's products and services and generation of future profitable operations.

Management believes the Company has the ability to sustain future operations and meet financial requirements through sales growth and bridge financing. The Company is currently working on completing two private placements to raise approximately $500,000 CAD (note 15). The Company is also working with long-term investors to raise approximately $2.6 million that will allow the Company to aggressively pursue its business plan through 2007.

3. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of ATI Airtest Technologies Inc. and its wholly owned subsidiaries Airwave Environmental Technologies Inc. ("Airwave") and Airtest Technologies Corp. Inter-company transactions and balances have been eliminated.

(b) Inventories:

Raw materials inventory is stated at cost. Finished goods inventory is stated at the lower of cost and net realizable value. Work in progress includes the cost of raw materials and labour.

(c) Furniture and equipment:

Furniture and equipment are stated at cost. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Mobile equipment	straight-line	20%
Computer hardware	declining-balance	20%
Office furniture and fixtures	declining-balance	20%
Assembly equipment	declining-balance	30%
Testing equipment	declining-balance	30%

3. Significant accounting policies (continued):

Management reviews the carrying value of furniture and equipment whenever events or circumstances would indicate an impairment has occurred. Impairment is assessed by management with reference to the estimated recoverable value based on factors including, estimated undiscounted future cash flows, financial operating conditions, obsolescence and value in use.

Should management determine that the carrying value of an asset or group of assets is impaired, an impairment charge is recorded in the period so determined.

(d) Revenue recognition:

Product revenue is recognized when the risk of ownership passes to the customer which, for the Company, is when products are shipped to the customer.

Service revenue is recognized when the service has been completed to the customer's specification.

(e) Research and development:

Research and development costs are expensed as incurred.

(f) Stock-based compensation plans:

The Company has an incentive share option plan that is described in note 7(c). Effective January 1, 2003, the Company has adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants regarding stock-based compensation and other stock based payments. The standard requires that all stock based awards made to employees and non-employees be measured and recognized using a fair value based method.

During 2002, the previous standard required that all stock based awards made to non-employees be measured and recognized using a fair value based method. The standard encouraged the use of a fair value based method for all stock-based awards made to employees, but only required it for direct awards of stock, stock appreciation rights and awards that call for settlement in cash or other assets. No compensation expense was required to be recognized when stock options were granted to employees at the prevailing market price.

(g) Measurement uncertainty:

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. Significant areas requiring the use of management estimates relate to the valuation of inventory, useful lives of long-lived assets for amortization and the impact of any uncertainty relating to future operations. Actual results could differ from estimates. (see also note 2)

(h) Risk management

Currency risk

The Company is potentially exposed to currency risk as a portion of its assets and liabilities are held in foreign currencies.

Liquidity risk

The Company is not holding significant long-term assets, however inventory may be subject to liquidity risk. (see also note 2)

Credit risk

The Company is potentially exposed to moderate credit risk due to concentration of the majority of its accounts receivable with a small number of customers. As at December 31, 2003, 4 customers (2002 – 4 customers) represent approximately 61% (2002 – 45%) of accounts receivable. The company performs a periodic assessment of the credit worthiness of its customers.

3. Significant accounting policies (continued):

(i) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. The Company has adopted CICA Handbook Section 3500 Standards for calculating earnings per share as recommended by the Canadian Institute of Chartered Accountants. The new standard requires the use of the treasury stock method for computing diluted earnings per share. The treasure stock method assumes that any proceeds obtained upon exercise of options would be used to purchase common shares at average market price during the year. The adoption of this method did not have a material impact on the historical earnings per share.

As the average market price per share during the year was less than the exercise price of all options, the effect of the application of the new accounting treatment would be anti-dilutive. Accordingly, no dilution adjustment has been made.

(j) Future income tax:

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that the enactment or substantive enactment occurs. A valuation allowance is recognized against any future income tax assets if it is more likely than not that the assets will not be realized.

(k) Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

4. Inventory:

	Dec 2003	Dec 2002
Finished goods	$ 71,614	$ 87,711
Work-in-progress	795	4,473
Raw materials	72,655	102,729
	$ 145,064	$ 194,913

As referred to in note 2, the Company's continuance as a going concern is based on achieving profitable operations and additional financing. If the Company cannot continue as a going concern, there is substantial doubt that it will realize the book value of its inventory.

5. Furniture and equipment:

December 31, 2003	Cost	Accumulated amortization	Net book value
Mobile equipment	$ 199,627	$ 127,154	$ 72,473
Computer hardware	65,007	51,968	13,039
Office furniture and fixtures	24,239	18,091	6,148
Testing equipment	5,245	3,916	1,329
Assembly equipment	5,087	4,244	843
	$ 299,205	$ 205,373	$ 93,832

5. Furniture and equipment (cont'd):

December 31, 2002	Cost	Accumulated amortization	Net book value
Mobile equipment	$ 199,627	$ 91,225	$ 108,402
Computer hardware	65,007	46,380	18,627
Office furniture and fixtures	24,239	16,617	7,622
Assembly equipment	5,087	3,770	1,317
Testing equipment	5,245	3,346	1,899
	$ 299,205	$ 161,338	$ 137,867

As at December 31, 2003, furniture and equipment includes mobile equipment under capital lease with a cost of $199,627 (December 2002 - $199,627) and a net book value of $72,473 (December 2002 - $108,402).

6. Loans:

(a) Bank Operating loan:

The Company has a $1,000,000 operating line of credit. Outstanding amounts under the line of credit bear interest at prime and are secured by a Collateral Security Agreement providing a first charge over the assets of the Company and guarantees from companies owned by directors and officers.

(b) BFI loan:

The Company has a secured revolving credit facility for $500,000. The Company is eligible to draw up to 80% of the eligible accounts receivable of ATI Technologies Inc. Interest is charged at prime plus 4.5% per annum. The loan is secured by a first priority lien on accounts receivable, inventory and general intangibles of the Company, and a personal guarantee from a major shareholder.

7. Share capital:

(a) Authorized:

100,000,000 common shares without par value

(b) Issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2001	9,528,160	$ 3,776,439
Shares issued for settlement of shareholder loans (note 7(g))	1,200,000	198,450
Advance on private placement (net) (note 7(h))	-	170,256
Balance, December 31, 2002	10,728,160	4,145,145
Shares issued on private placement (note 7(h))	1,600,000	41,662
Shares held for cancellation (note 7(i))	100,000	-
Balance, December 31, 2003	12,428,160	$ 4,186,807

(c) Stock options:

The Company's Board of Directors may, from time to time, grant stock options, subject to regulatory terms and approval, to employees, officers, directors and consultants. The exercise price of each option can be set at no less than the closing market price

7. Share capital (cont'd):

of the common shares on the TSX Venture Exchange. Options terminate 30 days following the termination of the optionee's employment. Vesting and the term are set at the discretion of the Board at the time the options are granted. The following summarizes the status and changes in the Company's stock option plan:

	December 31, 2003		December 31, 2002	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	961,700	$ 0.23	761,700	$ 0.24
Granted	-	-	200,000	0.20
Expired	-	-	-	-
Cancelled	(20,000)	0.24	-	-
Outstanding, end of year	941,700	$ 0.23	961,700	$ 0.23

As at December 31, 2003, all options are exercisable by the holders. The following table summarizes information about share options outstanding at December 31, 2003:

Number of outstanding Shares	Exercise price	Weighted average remaining life
200,000	$ 0.20	3.4 years
741,000	0.24	2.8 years
941,700	$ 0.23	2.9 years

There were no stock options granted to employees in the year ended December 31, 2003.

(d) Share purchase warrants:

During the year ended December 31, 2000, the Company issued 500,000 warrants in connection with its Initial Public Offering exercisable into common shares at $1.15 per share until February 3, 2002. These warrants were not exercised and expired during the year ended December 31, 2002. During the year ended December 31, 2003, the Company issued 1,600,000 warrants in connection with the private placement described in note7(h), exercisable into common shares at $0.23 per share until May 10, 2004.

The following table summarizes information about warrants outstanding at December 31, 2003:

Number of shares issuable pursuant to warrants	Exercise price	Expiry Date
1,600,000	$ 0.23	May 10, 2004

(e) Escrow shares:

As of December 31, 2003, there are 1,122,503 (2002 – 1,796,003) shares held in escrow.

(f) Loss per share:

Diluted loss per share amounts do not differ from basic loss per share as the impact of convertible securities including stock options and share purchase warrants is anti-dilutive.

7. Share capital (cont'd):

(g) Shares issued for debt conversion:

During the year ended December 31, 2002, a number of private investors who loaned the Company $618,450 agreed to convert their unsecured shareholder loans to equity. The conversion resulted in the issuance of 1,200,000 shares. The excess of the conversion price over the fair market value of the shares issued of $420,000 has been charged to contributed surplus.

(h) Private placement:

During the year ended December 31, 2002, the Company announced a private placement of 1,700,000 units, priced at $0.15 per unit. Each unit consists of one share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one additional common share for a term of 180 days from the date the shares are issued. Prior to December 31, 2002, the Company received cash proceeds of $194,935 and incurred $24,679 of financing fees in advance of completion of the private placement. During the year ended December 31, 2003, the private placement closed and the Company received additional cash proceeds of $45,065 and incurred $3,402 of additional financing costs upon completion of the private placement. There were 1,600,000 units issued upon closure of the private placement.

(i) Shares held for cancellation:

A share certificate for 100,000 shares was issued and held in trust for an investor in connection with the private placement described in note h. The issuance was subsequently cancelled and the share certificate will be returned to Pacific Corporate Trust.

8. Research and Development:

Research and development costs have been charged to current year operations and consist of the following:

	2003	2002
Labour	$ 73,591	$ 74,874
Product development/certification	46,011	8,627
Other	1,264	-
	$ 120,866	$ 83,501

The Company's primary work in product development during the year was done in concert with MCL Technologies to develop building monitors for Homeland Security applications. During the last quarter of 2003 the Company also commenced work on the development of a wireless transmitter to be used in conjunction with its CO and CO2 sensors.

9. Statement of cash flows:

(a) Cash and cash equivalents:

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2003	2002
Cash on hand and balances in bank	$ (3,492)	$ (10,270)
Operating loan (Note 6 (a))	(1,000,000)	(1,000,000)
	$ (1,003,492)	$ (1,010,270)

9. Statement of cash flows (cont'd):

(b) Non-cash transactions:

During the year ended December 31, 2002, the Company issued 1,200,000 common shares on conversion of $618,450 shareholder loans. The Company disposed of mobile equipment and settled the related capital lease obligation for $36,751 during the year ended December 31, 2002.

During the year ended December 31, 2003, the Company settled an amount owing to an employee of the company of $15,000 by issuing 100,000 shares of the Company as part of the private placement described in Note 7 (h).

(c) Supplemental information:

		2003		2002
Interest paid	$	108,521	$	99,537
Income taxes paid		-		-

10. Income Taxes

Income tax recovery attributable to net loss before income tax recovery differs from the amounts computed by applying the combined Canadian federal and provincial income tax rate of 38 % (2002 – 39.62%) to income before income taxes as follows:

		2003		2002
Loss before income taxes	$	(854,392)	$	(822,531)
Expected income tax recovery	$	(324,669)	$	(325,887)
Tax effect on:				
Change in valuation allowance		309,338		156,904
Change in substantively-enacted tax rates		-		-
Change in loss carry forwards		120,732		149,604
Other		(105,401)		19,379
		324,669		325,887
	$	-	$	-

As at December 31, 2003, significant components of the Company's future tax assets are as follows:

		2003		2002
Future tax assets:				
Losses carried forward	$	2,004,869	$	1,687,153
Financing fees		49,198		60,463
Capital assets		27,770		24,883
Total tax assets		2,081,837		1,772,499
Valuation allowance i)		(2,081,837)		(1,772,499)
	$	-	$	-

The Company has cumulative income tax loss carry forwards at December 31, 2003 of approximately $ 5,628,492, which are available to offset taxable income to 2010.

10. Income Taxes cont'd

i) As the Company has not established the likelihood of profitability, a valuation allowance of 100% (2002 – 100%) has been recorded against the potential tax recovery.

11. Related party transactions:

During the year ended December 31, 2003, the Company rented equipment from certain directors or companies controlled by them and recorded the transactions at the exchange amount of $51,075 (2002 - $50,805).

The Company has lines of credit available through shareholders, which are repayable on demand and bear interest at prime plus 1% totaling $500,000 (December 2002 - $500,000). As at December 31, 2003, $500,000 (December 31, 2002 - $500,000) has been drawn on these lines of credit, which are reflected as shareholder loans. Interest of $28,438 (2002 - $47,000) is reflected in the statement of operations.

As at December 31, 2003, advances of $249,942 (December 2002 - $171,778) which are non-interest bearing and repayable on demand, were received from companies controlled by directors.

12. Commitments and contingencies:

Future minimum payments, by year and in aggregate, for mobile equipment under capital lease are as follows:

2004	$ 44,832
2005	40,020
Total minimum lease payments	84,852
Amounts representing interest	12,379
Net minimum lease payments	72,473
Current portion	35,929
	$ 36,544

In addition, the Company leases other equipment, office premises and storage under operating leases expiring in various months to 2007. Annual lease payments are as follows:

2004	$ 72,535
2005	40,633
2006	37,630
2007	19,561
	$ 170,359

13. Financial instruments:

Fair value:

The fair values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities and other arms length loans are equal to their carrying values due to their short terms to maturity. Management has determined that the fair values of long-term debt and capital lease obligations are not materially different from their carrying values based on market rates of interest. The fair value of the shareholder loans and advances from related parties is not determinable with sufficient reliability due to the related party nature of the amount and the lack of a readily available market for such instruments. (note 11)

14. Segmented information:

The Company operates in one reportable segment being the manufacture and sale of gas detection equipment and related services. Substantially all of the Company's assets are located in Canada. The Company sells its products primarily in Canada and the U.S.A. Geographic information with respect to sales, based on the domicile of the customer, is as follows:

	2003	2002
Canada	$ 594,362	$ 488,438
U.S.A.	440,655	443,412
Other	40,630	5,162
	$ 1,075,647	$ 937,012

15. Subsequent events:

During the second quarter of 2004 the Company announced an offering of a private placement consisting of 3,000,000 units priced at $0.15 per unit to raise interim funding to support anticipated sales growth and provide working capital. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.23 for a period of 1 year from the closing of the private placement. As at the audit report date, the Company received cash proceeds of $155,000 and incurred $10,000 of financing fees in advance of the completion of the private placement.

The Company also announced an offering of a $200,000 convertible loan package with a guarantee of a minimum three months interest payments at a rate of 1.5% per month. All or part of the loan can be converted to shares at a price of $0.20 per share for a period of 12 months from the closing date of this instrument. As at the audit report date, the company has received cash proceeds of $198,000 and incurred $22,000 in financing fees.

In July 2004 the Company also signed an agreement to finance its accounts receivable with a company based in Vancouver. This arrangement will replace the loan agreement the Company had with BFI Business Finance based in California. The loan from BFI has been fully paid out and the loan agreement with them has been terminated.

QUARTERLY AND YEAR END REPORT
BC FORM 51 – 901F (previously Form 61)

INCORPORATED AS PART OF:

Schedule A	
Schedule B & C	X

ISSUER DETAILS

Name of Issuer	ATI Airtest Technologies Inc.
Issuer Address	9 – 1520 Cliveden Ave. Delta BC V3M 6J8
Issuer Phone	604 517 3888
Issuer Fax	604 517-3900
Contact Person	Murray Graham
Contact's Position	Secretary
Contact's Phone Number	604 517-3888
For Year Ended	December 31, 2003
Date of Report	August 11, 2004
Contact Email Address	mgraham@airtest.ca
Website Address	www.airtest.ca

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

George Graham	*"George Graham"*	August 11, 2004
Name of Director	Signed	Dated
Ken Danderfer	*"Ken Danderfer"*	August 11, 2004
Name of Director	Signed	Dated

Form 51-901F
ATI Airtest Technologies Inc.
For the year ended December 31, 2003

Schedule B: Supplementary Information

1.

a. Research and development:

Payroll costs	$ 73,591
Product development	47,275
Total	$120,866

b. Cost of sales:

Labour: services	$ 32,126
Parts: services	15,015
Labour: goods	12,320
Parts: goods	110,800
Total	$ 647,698

c. Sales and marketing:

Payroll costs	$ 82,468
Travel, meals & entertainment, & auto	8,451
Advertising and business promotion	6,661
Trade shows	3,055
Total	$ 100,635

d. Professional and management fees:

Legal	$ 20,513
Investor relations	10,500
Financing	4,200
Regulatory	1,870
Total	$ 37,083

2. Related party transactions: (see note 9 of financial statements)

3.

a. There were no shares issued in the quarter ended September 30, 2003.

b. The following is a listing of the share options issued by the Company:

Optionee	Granted	Term-5 year		Number	Price *
		Date Vested	Expiry Date		
Cormudan Enterprises Ltd.	05/07/1999	02/04/2000	02/04/2005	15,000	$ 0.24
Cormudan Enterprises Ltd.	05/07/1999	11/05/2000	11/05/2005	15,000	$ 0.24
Cormudan Enterprises Ltd.	05/07/1999	11/05/2001	11/05/2006	15,000	$ 0.24
Cormudan Enterprises Ltd.	05/07/1999	11/05/2002	11/05/2007	15,000	$ 0.24
Cormudan Enterprises Ltd.	05/07/1999	11/05/2003	11/05/2008	15,000	$ 0.24
Cormudan Enterprises Ltd.	05/07/1999	11/05/2004	11/05/2009	15,000	$ 0.24
Cormudan Enterprises Ltd.	05/07/1999	11/05/2005	11/05/2010	10,000	$ 0.24
Cormudan Enterprises Ltd.	08/28/2001	08/28/2001	08/28/2006	50,000	$ 0.24
257353 BC Ltd.	05/07/1999	02/04/2000	02/04/2005	11,250	$ 0.24
257353 BC Ltd.	05/07/1999	11/05/2000	11/05/2005	11,250	$ 0.24
257353 BC Ltd.	05/07/1999	11/05/2001	11/05/2006	11,250	$ 0.24
257353 BC Ltd.	05/07/1999	11/05/2002	11/05/2007	11,250	$ 0.24
257353 BC Ltd.	05/07/1999	11/05/2003	11/05/2008	11,250	$ 0.24
257353 BC Ltd.	05/07/1999	11/05/2004	11/05/2009	11,250	$ 0.24
257353 BC Ltd.	05/07/1999	11/05/2005	11/05/2010	7,500	$ 0.24
257353 BC Ltd.	08/28/2001	08/28/2001	08/28/2006	40,000	$ 0.24
Ken Danderfer	05/07/1999	02/04/2000	02/04/2005	11,250	$ 0.24
Ken Danderfer	05/07/1999	11/05/2000	11/05/2005	11,250	$ 0.24
Ken Danderfer	05/07/1999	11/05/2001	11/05/2006	11,250	$ 0.24
Ken Danderfer	05/07/1999	11/05/2002	11/05/2007	11,250	$ 0.24
Ken Danderfer	05/07/1999	11/05/2003	11/05/2008	11,250	$ 0.24
Ken Danderfer	05/07/1999	11/05/2004	11/05/2009	11,250	$ 0.24
Ken Danderfer	05/07/1999	11/05/2005	11/05/2010	7,500	$ 0.24
Ken Danderfer	08/28/2001	08/28/2001	08/28/2006	40,000	$ 0.24
Ken Danderfer	05/07/2002	05/07/2002	05/07/2007	50,000	$ 0.20
Murray Graham	05/27/1999	02/04/2000	02/04/2005	2,250	$ 0.24
Murray Graham	05/27/1999	11/05/2000	11/05/2005	2,250	$ 0.24
Murray Graham	05/27/1999	11/05/2001	11/05/2006	2,250	$ 0.24
Murray Graham	05/27/1999	11/05/2002	11/05/2007	2,250	$ 0.24
Murray Graham	05/27/1999	11/05/2003	11/05/2008	2,250	$ 0.24
Murray Graham	05/27/1999	11/05/2004	11/05/2009	2,250	$ 0.24
Murray Graham	05/27/1999	11/05/2005	11/05/2010	1,500	$ 0.24
Murray Graham	08/28/2001	08/28/2001	08/28/2006	15,000	$ 0.24
Achilles Dolhaine	05/27/1999	02/04/2000	02/04/2005	15,000	$ 0.24
Achilles Dolhaine	08/28/2001	08/28/2001	08/28/2006	15,000	$ 0.24
Duncan McRae	05/27/1999	02/04/2000	02/04/2005	15,000	$ 0.24
Duncan McRae	08/28/2001	08/28/2001	08/28/2006	15,000	$ 0.24
Milford Crocker	05/27/1999	02/04/2000	02/04/2005	15,000	$ 0.24
Milford Crocker	08/28/2001	08/28/2001	08/28/2006	15,000	$ 0.24
Harry Skibbe	05/27/1999	02/04/2000	02/04/2005	15,000	$ 0.24
Harry Skibbe	08/28/2001	08/28/2001	08/28/2006	15,000	$ 0.24
Donald Siemens	08/28/2001	08/28/2001	08/28/2006	125,000	$ 0.24
Georgia West Management	02/01/2000	05/01/2000	05/01/2005	43,350	$ 0.24
Georgia West Management	02/01/2000	08/01/2000	08/01/2005	43,350	$ 0.24
Mike Schell	05/07/2002	05/07/2002	05/07/2007	150,000	$ 0.20
TOTAL				**941,700**	

* Note: With the exception of the option shares granted in 2001 and 2002, the exercise price at the date the options were granted was $1.00 per share, and this exercise price was amended to $0.24 as approved at the Annual General Meeting held June 26, 2001.

The share options listed above include 66,250 options in escrow.

4.

a. Authorized share capital: 100,000,000 common shares without par value.

b. The number of common shares issued and outstanding as at December 31, 2003 is 12,428,160 holding a value of $4,186,807. (see note 7(b) in the financial statements)

c. Georgia Pacific Securities had been granted Agent's Warrants, entitling the Agent to purchase up to 500,000 Common Shares of the Company at a price of $1.15 per Common Share. The exercise date ended February 4, 2002. These warrants have expired.

d. As at December 31, 2003, there remained a balance of 1,122,503 escrow shares to be released.

5. The directors of the Company are George Graham, Allan Backman, and Kenneth Danderfer. The officers of the Company are George Graham, President and Murray Graham, Secretary.

Schedule C: Management's Discussion and Analysis Of Financial Condition and Results of Operations
Year ended December 31, 2003

Corporate Overview

ATI AirTest Technologies Inc. ("ATI" or "the Company") develops, distributes and markets gas detection equipment to the commercial and institutional buildings market. The Company offers three primary product lines; (a) the ATI manufactured line of toxic and combustible gas sensors, (b) the SenseAir line of carbon dioxide and temperature sensors out of Sweden for which ATI acts as their North American distributor, and (c) the E+E Elektronik line of humidity, temperature and air velocity sensors for which ATI acts as their United States distributor.

The primary driver for the sale of ATI products is energy savings through ventilation control in buildings. In the case of humidity sensors there is also a large demand created by mold and mildew problems.

ATI distributes its products through a network of distributors, building controls manufacturers and their dealer networks, original equipment manufacturers ("OEM's"), direct to end users, and through its website. The Company primarily markets its products in North America, however as a result of trade show participation and internet contacts ATI is increasingly selling its manufactured product line to other countries.

Strategy

ATI's priority is to accelerate growth and improve operating results by executing the initiatives outlined below.

Increase Market Share
ATI plans to increase market share through the implementation of several programs, some of which are well under way. The Company actively assists distributors and controls manufacturers through technical support and sales training and will be increasing its activity in this area. A complete remake of the ATI website which is near completion, will enable improved market access to ATI products and technical information. Increased participation in trade shows will increase the Company's profile and make the market more knowledgeable of the ATI product line. The Company is increasing its work with OEM applications that will increase the size of the market and improve ATI's market share at the same time. Finally, a selective advertising program targeted at building owners, property management companies, controls manufacturers and contractors will highlight application opportunities for ATI's innovative technology.

Strategic Alliances
ATI has developed either preferred supplier or partnership status with seven of the twenty building controls manufacturers and their dealer networks. The Company will work to enhance its relationships with these partners and establish similar alliances with other networks in the same industry.

ATI management expects that a significant contribution to projected growth will come from the aggressive promotion of building retrofits driven by energy savings through controlled ventilation. The Company has partnered with an energy-consulting firm based in California. This firm, with strong contacts in the building owner and property management field, has developed a business model that has a primary focus on promoting retrofits for commercial buildings in order to save significant energy costs.

Product Development

ATI is excited about two products it is developing to assist with the building retrofit program. Both products have been tested at the prototype stage and will be ready for introduction to the market in the third quarter of 2004.

Working in conjunction with its two European suppliers, ATI is also developing two products that will provide greater access to the OEM market and at the same time provide a solution for the chronic mold and mildew problems encountered in many areas of North America.

Results of Operations

Sales

Results for the year ended December 31, 2003 showed sales of $1,075,647 as compared to 2002 sales of $937,012. The increase was primarily in product sales, which grew 19.2% with the service portion showing no growth. This result reflects the Company's restructure program over the past two years to focus primarily on strengthening its product offering and sales capability to the commercial buildings market. The former service side of the business related to industrial air monitoring and the Company will discontinue this part of the business during 2004.

Gross Profit

Gross profit for year 2003 totaled $427,949 as compared to 2002 gross profit of $343,044. This increase of $84,905 or 24.8% resulted from consistent margins through the product sales growth as well as lower overhead for the service portion of the Company's business. Gross profit of 43% on product sales was somewhat above the 40% gross profit anticipated in the Company's budget.

Expense Analysis

The largest expense category is Sales, Marketing and Promotion, which totaled $396,508 in 2003, up from $350,160 (13.2%) in 2002. This expense area reflects the Company's strategy to become a market leader with its complete line of products for the commercial buildings market.

The only other expense category that showed significant increase in 2003 was Research and Development expense, which totaled $120,866 in 2003, up from $83,501 (45%) in 2002. This increase resulted from the Company's program to develop new innovative technology and enhance its existing manufactured products.

General and Administration expenses totaled $764,967 in 2003, up from $731,914 (4.5%) in 2002. The largest increase in this expense area was a $20,048 increase in interest expense mostly due to the cost of the asset-based financing agreement with BFI Business Finance.

Net Loss
At $854,392 the net loss for year 2003 was up slightly (4%) over 2002 as the Company continued its restructuring program to position itself as a key player in the sale of gas detection equipment to the commercial buildings market.

Income Taxes
Expected income tax recovery from the net loss incurred in 2003 amounts to $324,669. This brings the Company's cumulative income tax loss carry forward as of December 31, 2003 to approximately $5,628,492 which is available to offset taxable income to 2010.

Liquidity and Capital Resources

The Company had a working capital deficiency of $2.7 million at December 31, 2003. The Company has financed its operations through equity, shareholder loans and through an asset-based loan with BFI Finance in San Jose, CA. Future operations are dependent upon the Company's ability to obtain additional financing, continued support of existing creditors and lenders, continuing financial support from related parties, and attaining profitable operations.

Management believes the Company has the ability to sustain future operations and meet financial requirements through sales growth and bridge financing. In 2004 the Company will raise in excess of $500,000 CAD for bridge financing and will work with long-term investors to raise approximately $2.6 million that will allow the Company to aggressively pursue its business plan through 2007.

Subsequent Events

During the second quarter of 2004 the Company initiated two private placements designed to raise net capital of $585,000 CAD. At the time of this report these placements have raised $350,000 of the expected proceeds and the placement program is going according to plan. The proceeds from these offerings will provide the necessary bridge financing that will support the Company's marketing activities as laid out in its current business plan and referred to in the Strategy section earlier in this report.

The Company has also paid off the asset-based loan from BFI Business Finance and replaced it with a Factoring Agreement with BC Business Factoring based in Vancouver. This agreement will offer ATI more flexibility, quicker response, and some currency exchange savings going forward. It will also supplement the bridge financing by providing additional working capital during rapid growth periods.

Share Activity

Share Capital
The balance of common shares issued and outstanding as of December 31, 2002 was 10,728,160. During 2003 there were 1,700,000 shares issued as a result of a private placement that commenced in 2002 and closed during 2003. This brought the balance of shares issued and outstanding as of December 31, 2003 to 12,428,160.

Stock Options
Stock options outstanding at the beginning of 2003 totaled 961,700 at an average exercise price of $0.23 CAD. During 2003 20,000 share options were cancelled leaving a balance of exercisable stock options of 941,700.

Warrants
In conjunction with the private placement closed in 2003, 1,600,000 warrants were outstanding as at December 31, 2003 at an exercise price of $0.23 CAD.

Escrow
As of December 31, 2003 there were 1,122,503 insider shares held in escrow.

George Graham
President and CEO